



The Real Estate ANALYST

OCTOBER 29
1947

Volume XVI

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values....Current Studies....Surveys....Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 47

REGIONAL DIFFERENCES IN PER FAMILY INCOME

HERE has been a rapid upward trend in the years since the beginning of the war in the importance placed by economists on income figures. Studies have been made by the hundreds of the relationship of disposable income to sales of almost all types of commodities and services. In most cases a very definite relationship has been shown to exist.

Income figures are hard to compile and have never been attempted on an exhaustive scale on a city-by-city basis. On pages 404 to 407 of this report, however, we show fifty charts giving the average income per family from 1929 through 1946 for the United States, for the 48 States and for the District of Columbia.

These charts are based on figures compiled by the Department of Commerce. The computations on a family basis are our own. We have adjusted the figures for Washington, D. C., to compensate for the large number of Washington employees living in Maryland and Virginia. We have made similar adjustments for the New York figures for the number of New York City employees living in New Jersey.

On each of these charts we have distinguished four types of family income - 1. that received from salaries and wages, including the pay of persons in the armed services; 2. proprietor's income; 3. property income, which includes dividends, interest and net rents and royalties; and 4. other income, which includes direct relief, pensions, compensation for injuries, social insurance benefits, and allowances and allotments paid to dependents of military personnel.

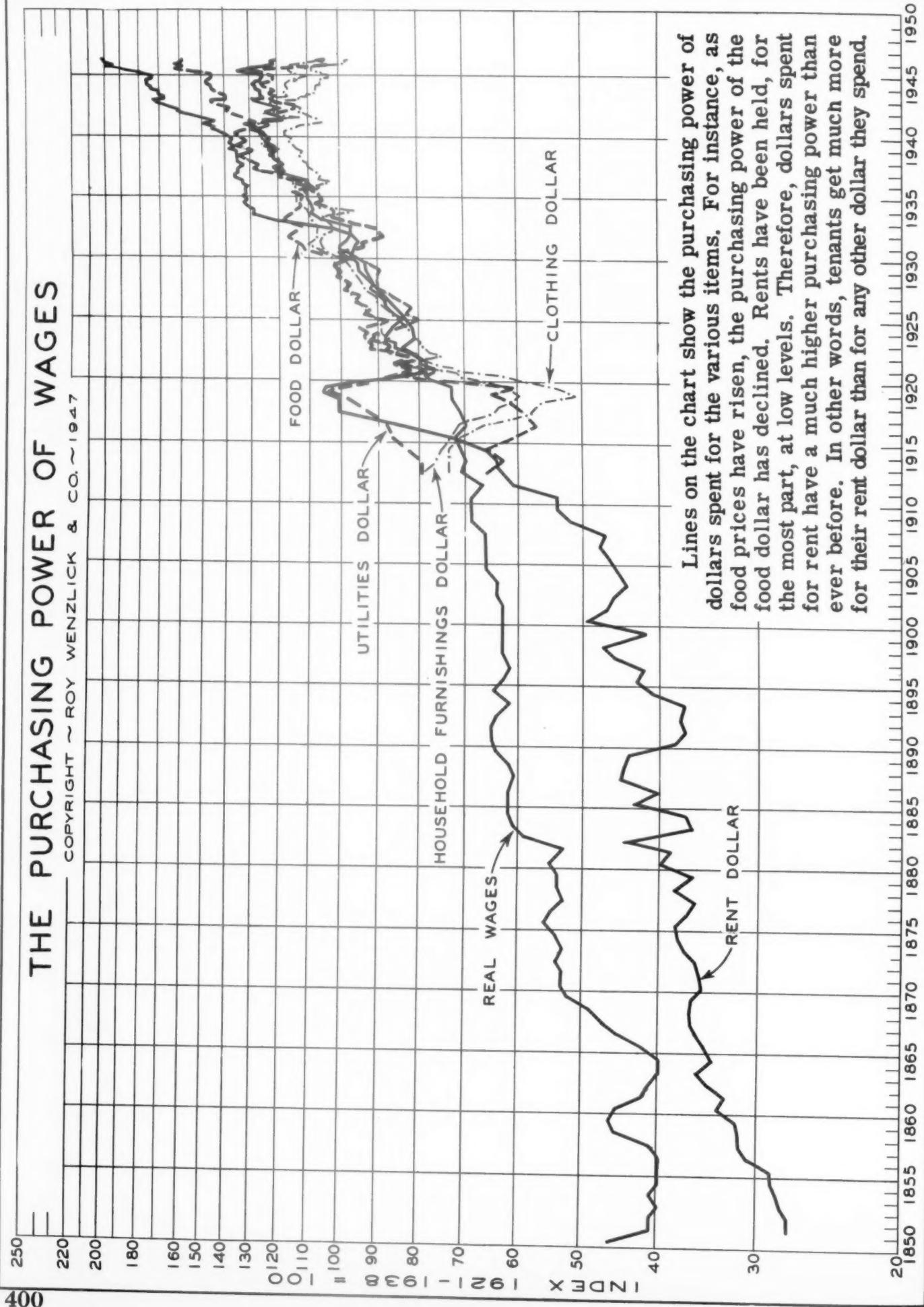
The State-by-State variations in average family income are great. In 1946 the highest per-family income in the United States was in the District of Columbia, where the average income was approximately \$6750. The State of New York ranked second with slightly less than \$6200.

The highest average wage and salary income per family in the United States received in 1946 was in the District of Columbia with approximately \$5100.

In 12 of the 48 States average income per family in 1946 was below the 1945 level. These States were Alabama, Arizona, Florida, Kansas, Louisiana, Mississippi, Montana, Nebraska, North Dakota, Oklahoma, South Dakota and West Virginia. The lowest average income per family in 1946 in any State was in the State of Mississippi with approximately \$2050. Of this, only \$918 was earned in salaries and wages, and this, too, was the lowest showing of any State for this item. Nevada, after dropping for three years, made a fine comeback to almost reach its 1942 peak.

THE PURCHASING POWER OF WAGES

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Lines on the chart show the purchasing power of dollars spent for the various items. For instance, as food prices have risen, the purchasing power of the food dollar has declined. Rents have been held, for the most part, at low levels. Therefore, dollars spent for rent have a much higher purchasing power than ever before. In other words, tenants get much more for their rent dollar than for any other dollar they spend.

PURCHASING POWER OF WAGES

DURING the past several years and particularly during the past few months we have all become acutely aware of the cost of living. Most of us are pretty well convinced that we are paying too much for everything we buy. We have been led to that conclusion by the fact that the prices of almost everything are at or near an all-time peak. The government and most labor union utterances have confirmed and crystallized that conclusion.

Now to say (in shocked tones and with hurt feelings) that prices are too high is somewhat ridiculous. Prices do not operate by themselves. They are not simply the result of someone's idea of what the traffic will bear. (In some isolated cases they may be for a short time.)

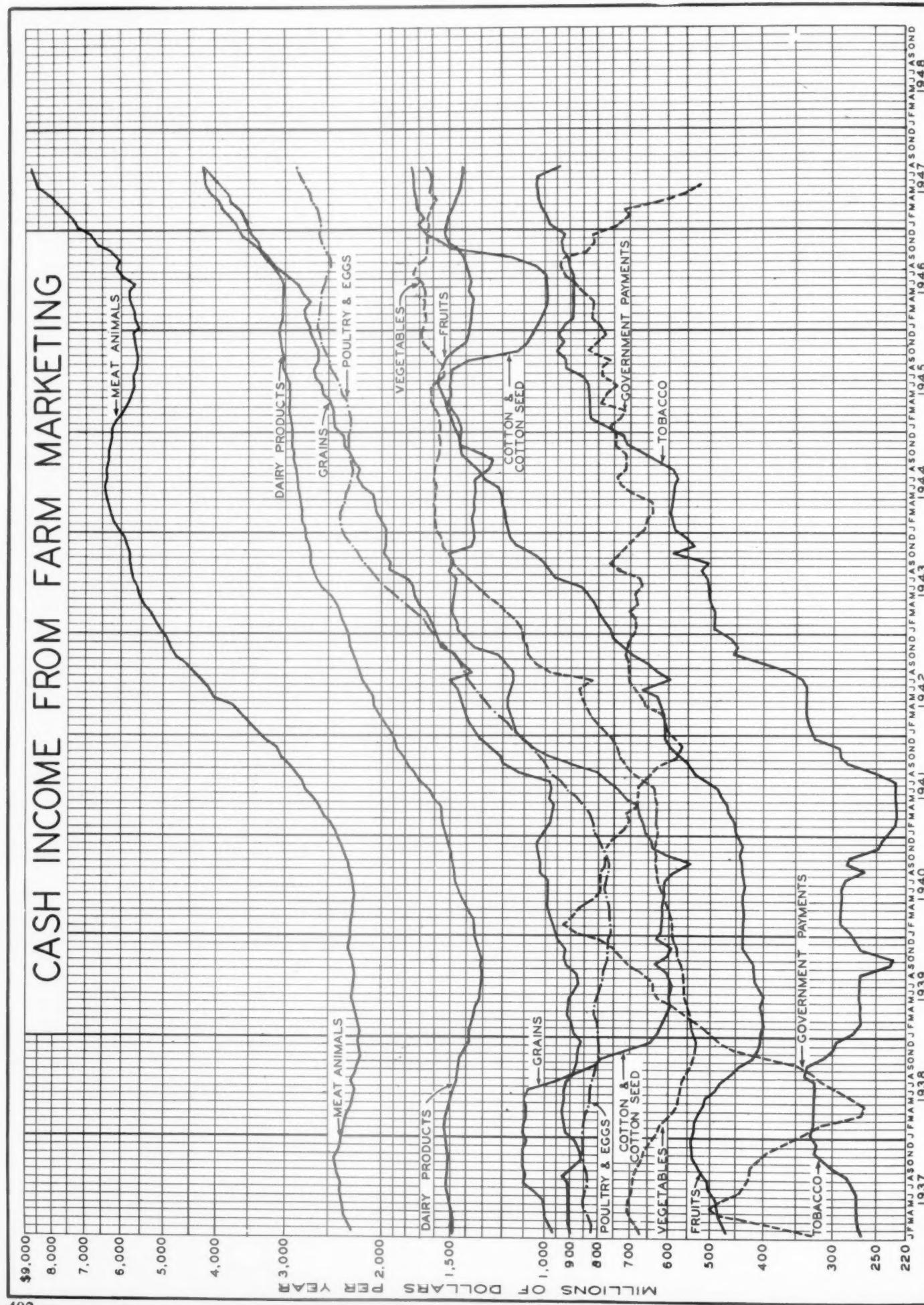
Inasmuch as prices are inextricably bound up in our economic system, they react to changes in our economic system. Thus, speaking generally, when production costs, wages and money supplies increase, prices go right along and also increase, unless (and this hasn't happened for a long time) the supply of goods being priced also increases proportionately. So, it isn't that "prices" are too high - it's that everything is too high.

The chart on page 400 helps illustrate this point. Shown on this chart are the purchasing power of real wages and the purchasing power of wages in relation to the various components of the cost of living index. Real wages (solid blue line) represent money wages divided by the cost of living. If the cost of living rises faster than money wages, real wages will decline. When money wages increase faster than the cost of living, real wages rise. Since 1853 the trend of real wages has been up, thereby showing that with certain isolated exceptions money wages have increased faster than the cost of living.

The other lines on the chart represent the purchasing power of money wages when spent for certain goods and services. The food dollar line is derived from the money wage index divided by the food price index, and shows the amount of food that can be had in exchange for a week's wages. The purchasing power of the clothing dollar, the utility dollar, the rent dollar, etc., is derived in the same manner.

Rents have been held at more or less the same level for several years, therefore the week's wage has purchased more and more rent as money wages increased. Utility rates have risen much slower than money wages; therefore, a week's work exchanged for utility services brings more service than ever before. Since 1940 food prices have been increasing faster than the general money wage index; therefore, the amount of food exchangeable for a week's work has been diminishing, but even now is higher than at any time prior to 1930. The same is true in regard to the amount of clothing obtainable for a week's work.

Average figures and general statements are apt to be misleading. The wage index used in deriving the lines on the chart is an index of average weekly wages published by the Federal Reserve Bank of New York. Inasmuch as this index represents the average wage, there are some people (white collar workers) who do not fare so well when they exchange their week's work at the markets. Others do much better.



THE FARM BONANZA OF THE FORTIES

HERE has never been anything like it. During the past seven years (1941 through 1947) the American farmers have received over \$142 billion cash income from farm marketing. This is almost as much as they received during the seventeen-year period from 1924 through 1940, when cash income from farm marketing totaled \$144 billion. Although there were some poor years in this period, 1924 through 1929 were all well above average. In 1946 total cash income from farm marketing was \$24.5 billion. For the first eight months of this year it has reached \$17.3 billion, (compared to \$13.6 billion for the same 1946 period) and is expected to reach \$30 billion by the end of the year, or about 3-3/4 times the 1920-1940 average.

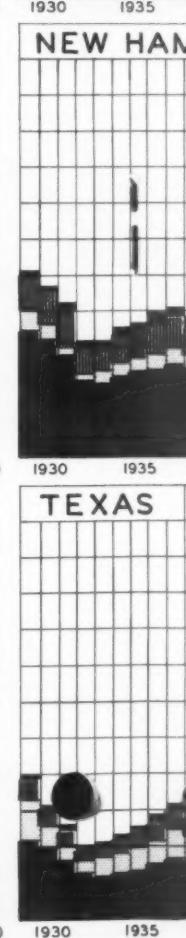
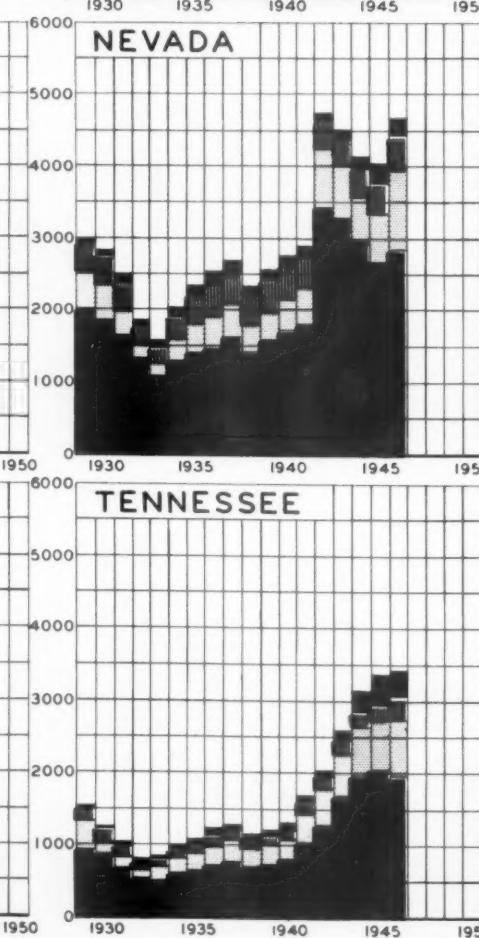
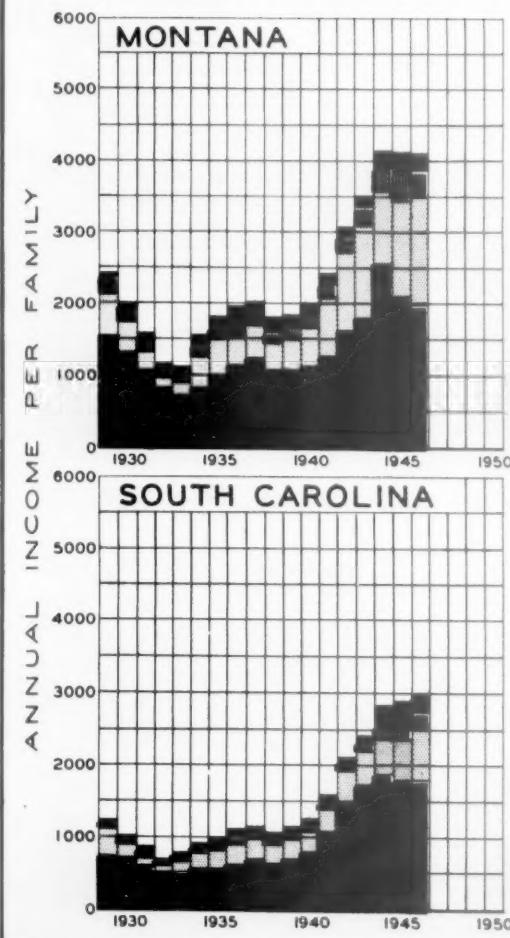
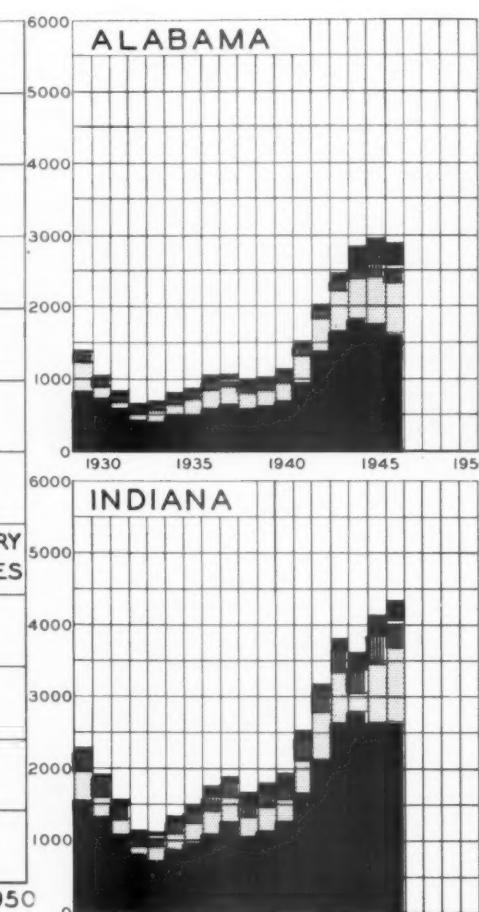
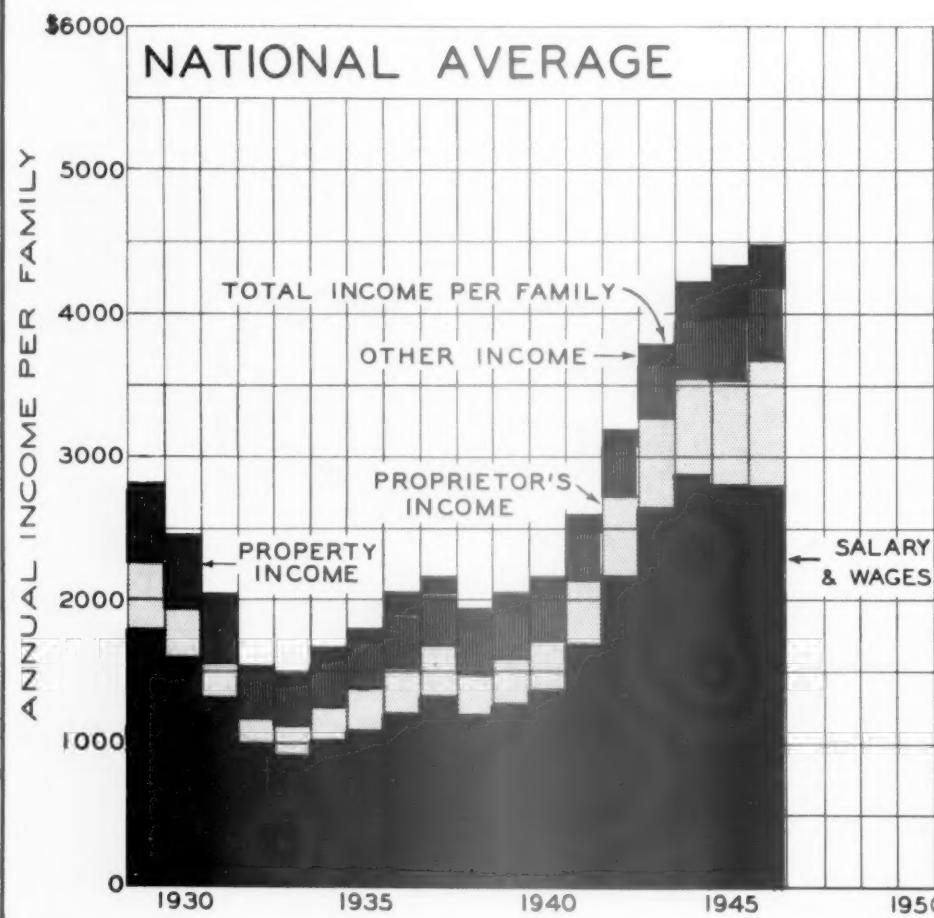
In 1940 cash income from farm marketing totaled \$8.4 billion. In 1947 it will reach \$30 billion. Farm production has increased 29 per cent during this period, and farm income has increased 257 per cent.

The latest figures on 1947 cash income from farm marketing show that through August, Iowa has received the highest amount, \$1.5 billion; California second highest, \$1.2 billion; Illinois third, \$1.1 billion; and Texas fourth, \$1.06 billion. Of the six agricultural regions, the grain and meat producing West North Central Region, including Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska and Kansas, again leads all others with a total income of \$5.3 billion. The East North Central Region, including the dairyland States of Wisconsin and Michigan, and the grain and hog producing States of Illinois, Indiana and Ohio, is in second place with a total of \$3.6 billion. Farmers of the twelve States in these two top regions received 51 per cent of the cash income from farm marketing during the first eight months of 1947.

The region returning the lowest amount of farm income during the first eight months of this year was the South Atlantic Region - Delaware, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia and Florida. These States totaled only \$1.4 billion. The different regions have received the following percentages of the total income for 1947 (through August): West North Central, 30.8 per cent; East North Central, 20.5 per cent; South Central and Western, 15.6 per cent each; North Atlantic, 9.5 per cent; and South Atlantic, 8 per cent.

Cash income from marketing meat animals continues to lead all other sources and is still climbing. Dairy products and grains maintain their close relationship of the past year, and both continue to rise. The 1947 cotton crop, much larger than last year, will send the cotton income well above its 1943 peak. As a matter of fact, practically all crops with the exception of fruits and vegetables seem to be bringing in more and more income. Fruits and vegetables, however, seem to have about reached a leveling off period for a while, anyway. Since 1940 grain and tobacco have shown the greatest percentage rise, cash income from grain marketing showing an increase of 300 per cent and cash income from tobacco marketing showing an increase of 290 per cent. Needless to say, although farm production is at its highest level, the bulk of increase in farm incomes has resulted from higher prices.

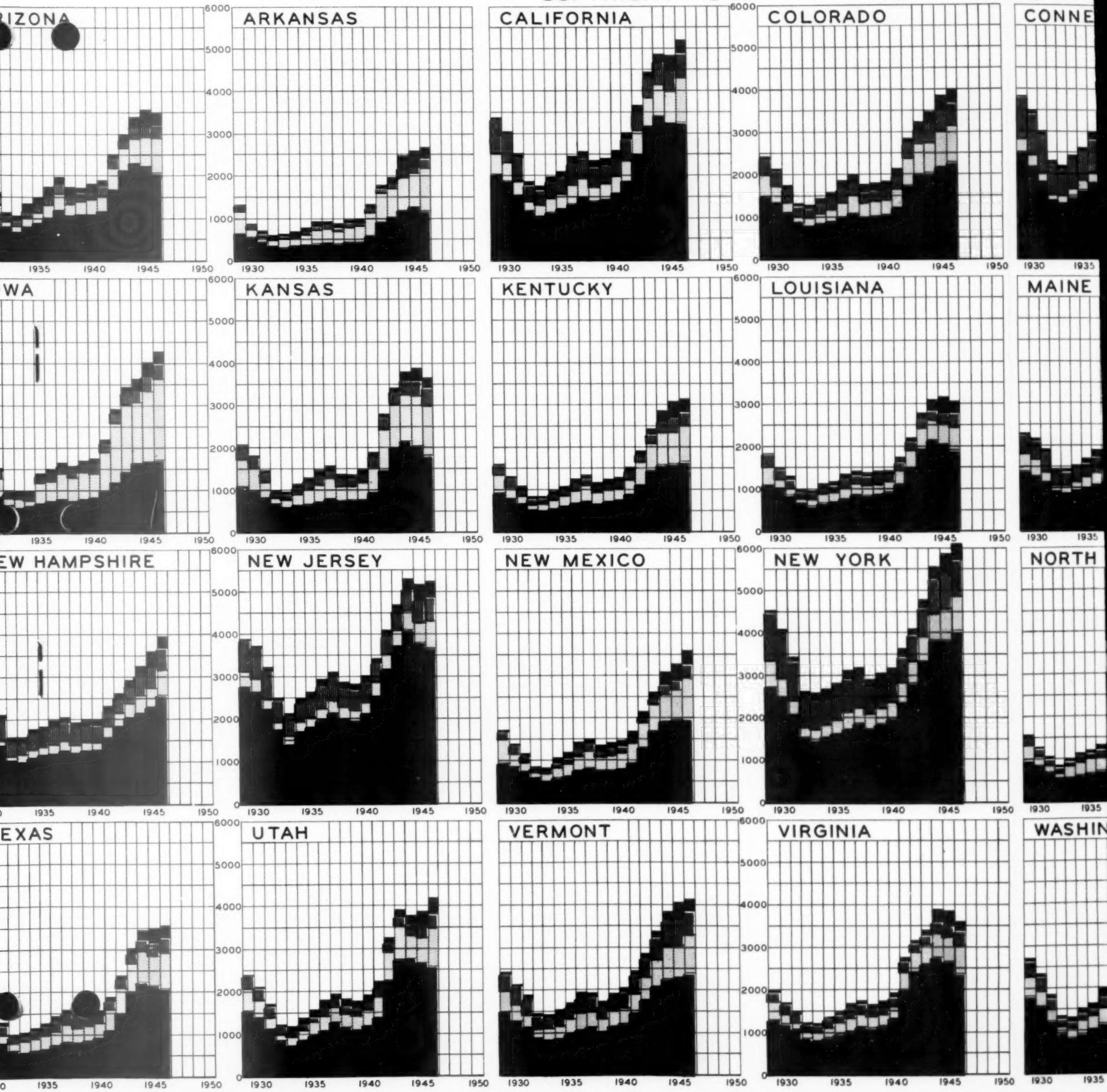
The outlook for 1948 is for almost as big a marketing income year as 1947. Demand is almost sure to remain so high all over the world that even a reasonably good crop yield should keep farm incomes at a very high level. And so the farmer's income rides right along to new heights, with the rest of the nation's economy.



AVERAGE INCOME PER FAMILY

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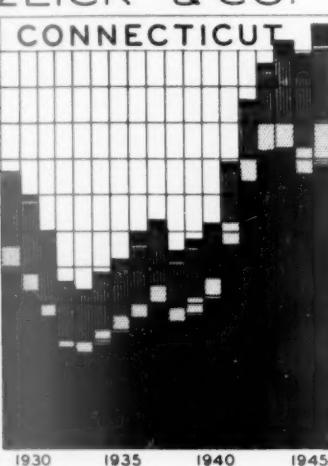


ILY BY STATES 1929 - 1947

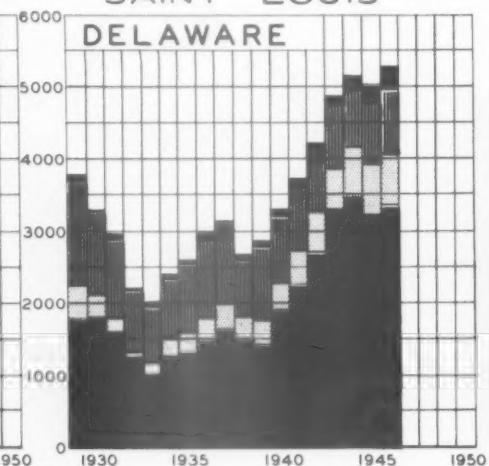
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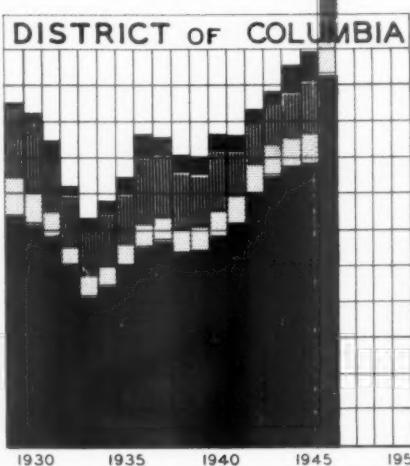
CONNECTICUT



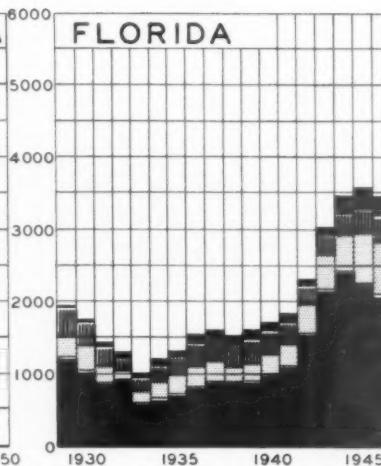
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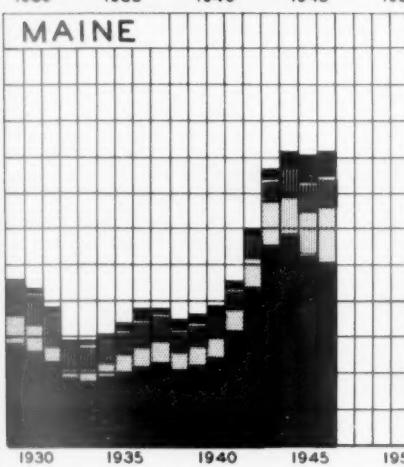
DISTRICT OF COLUMBIA



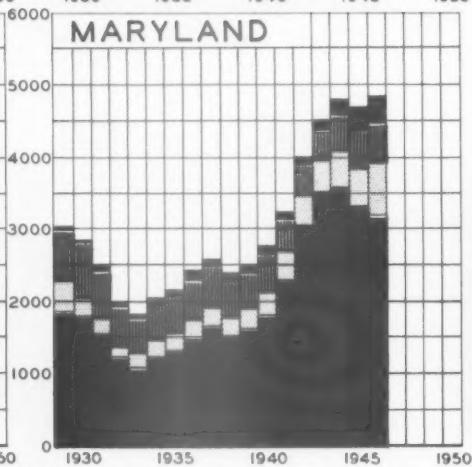
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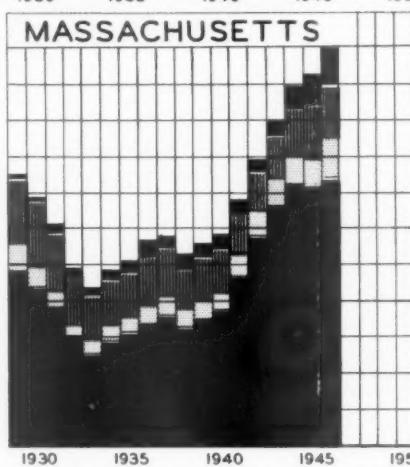
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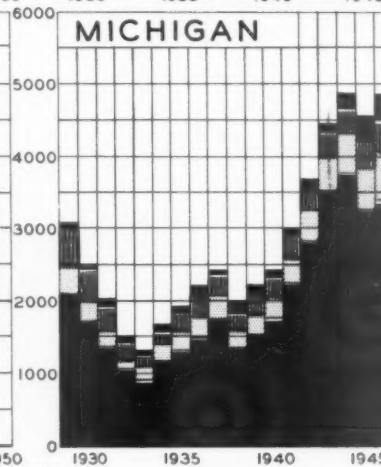
MARYLAND



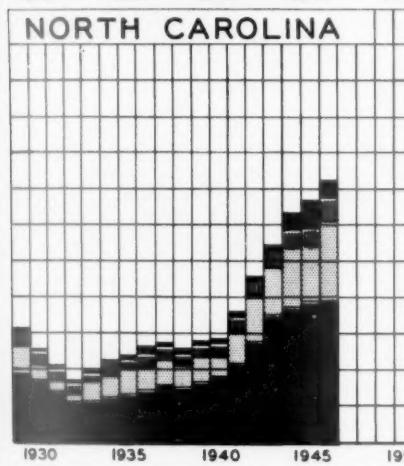
MASSACHUSETTS



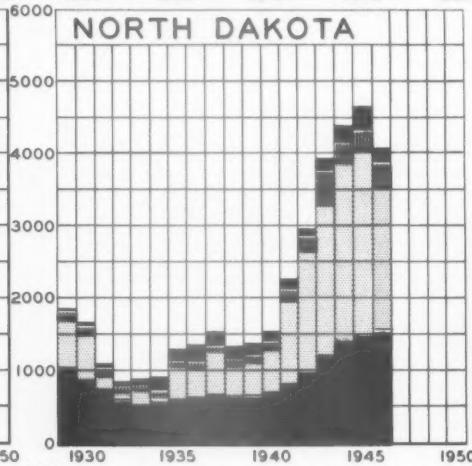
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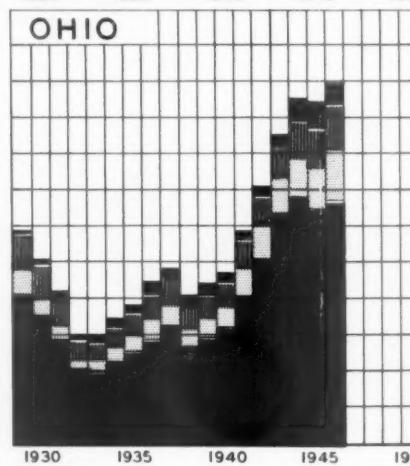
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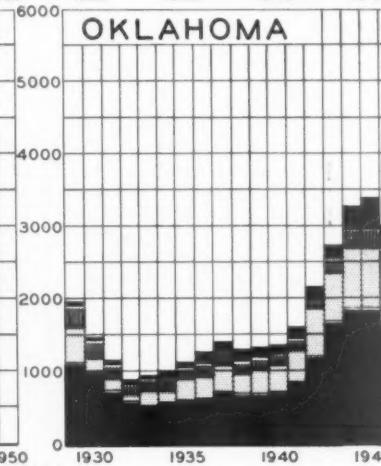
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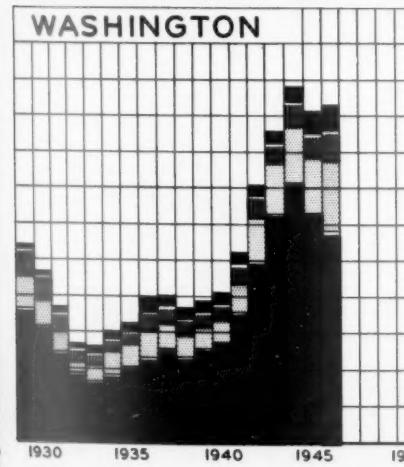
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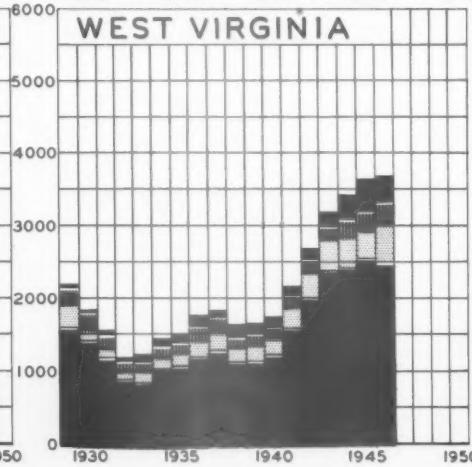
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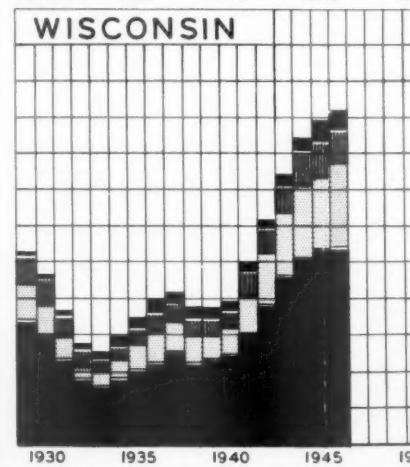
WASHINGTON



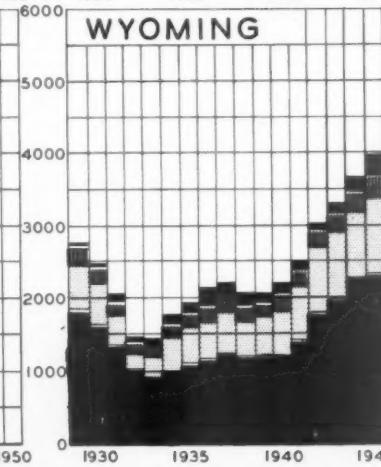
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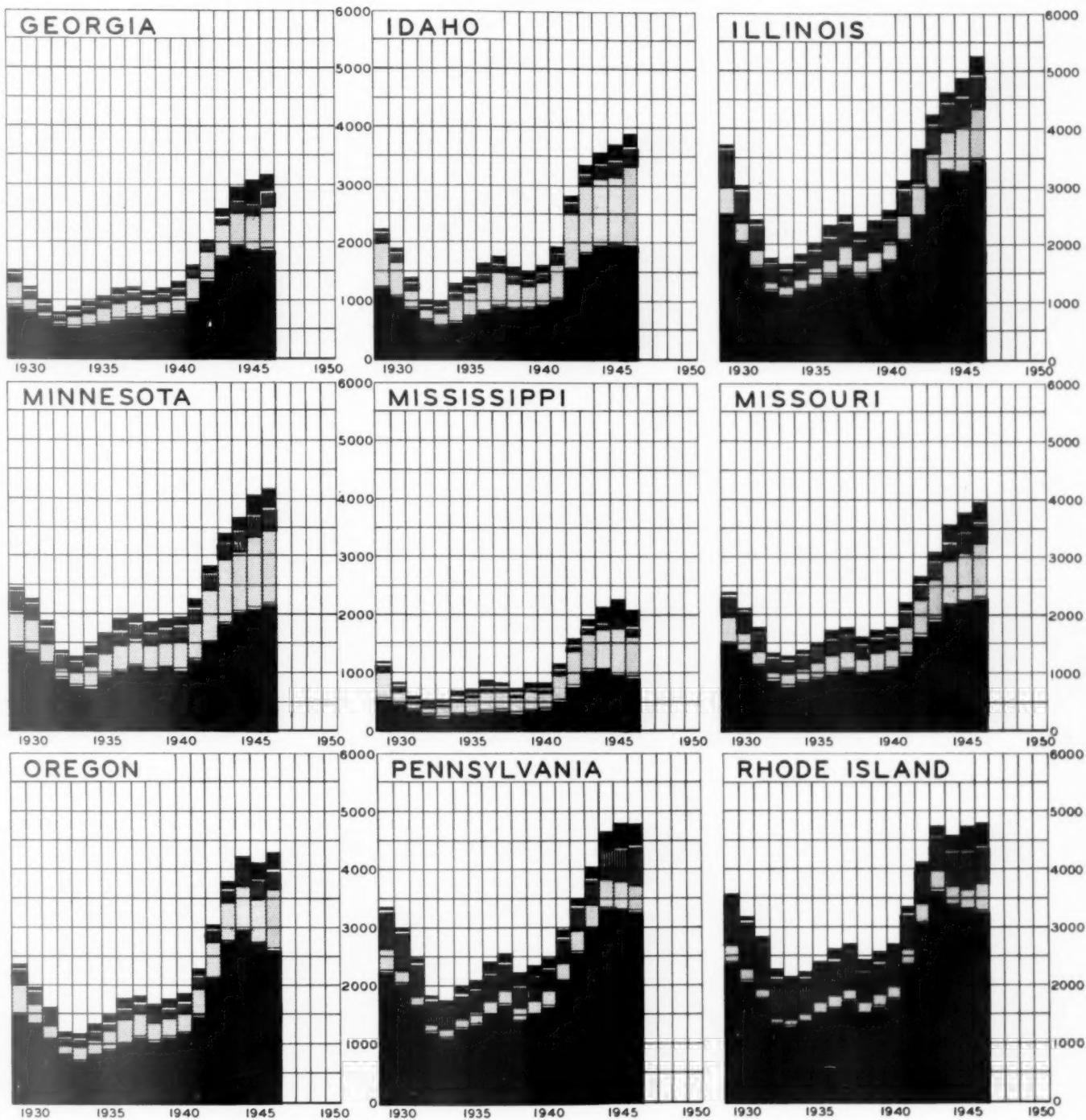
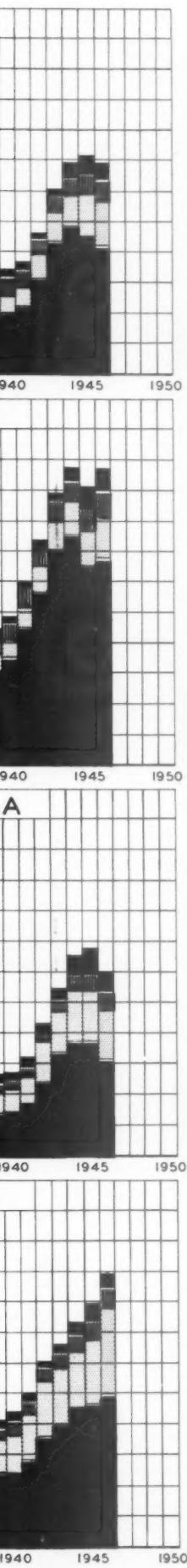


WISCONSIN

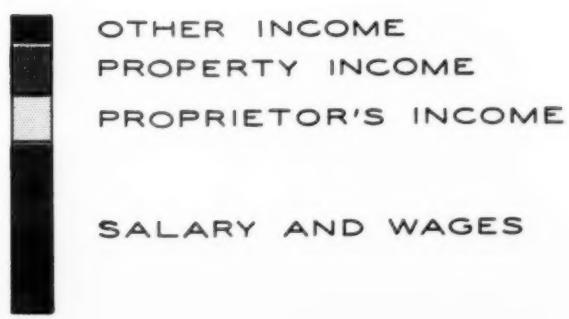


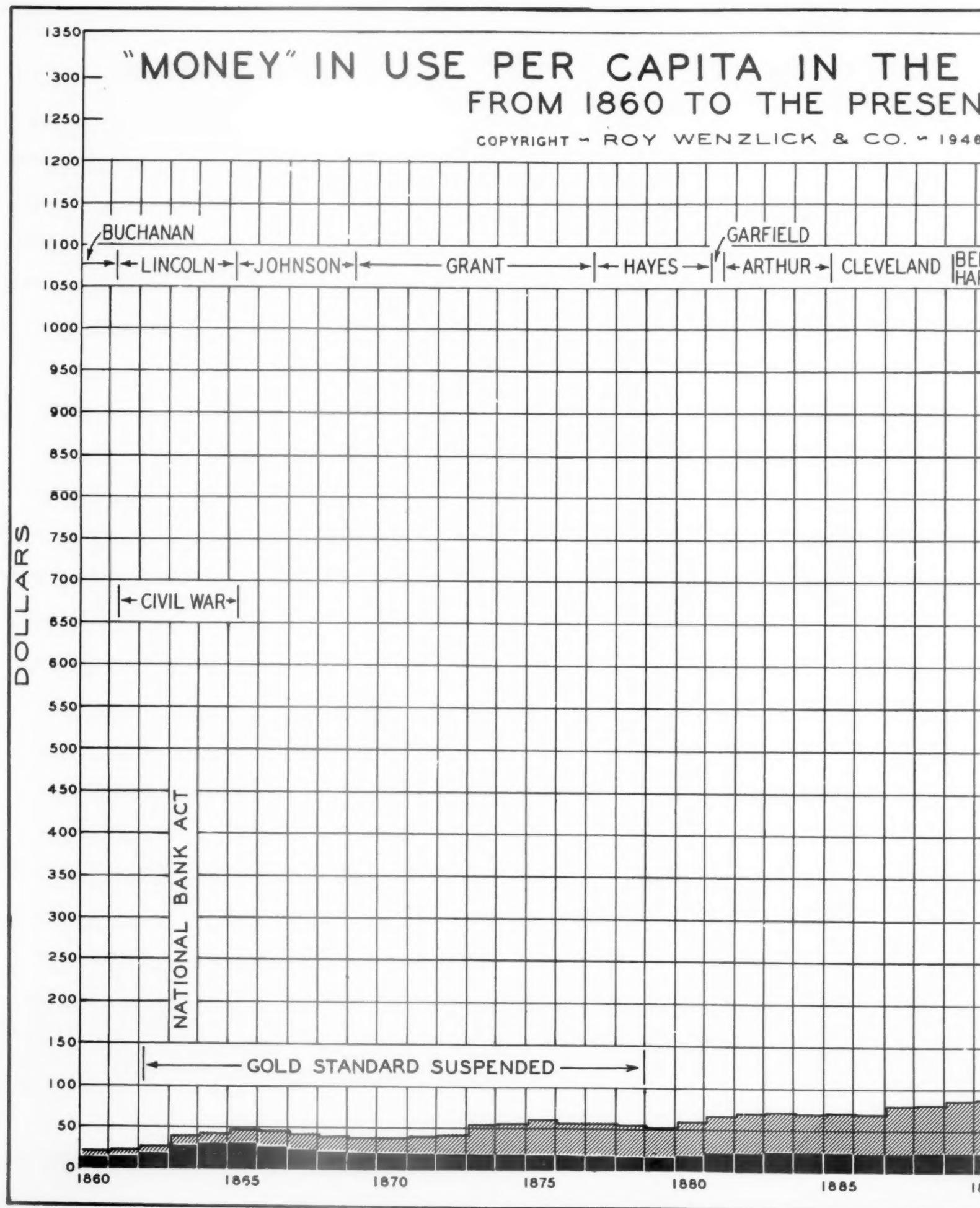
WYOMING





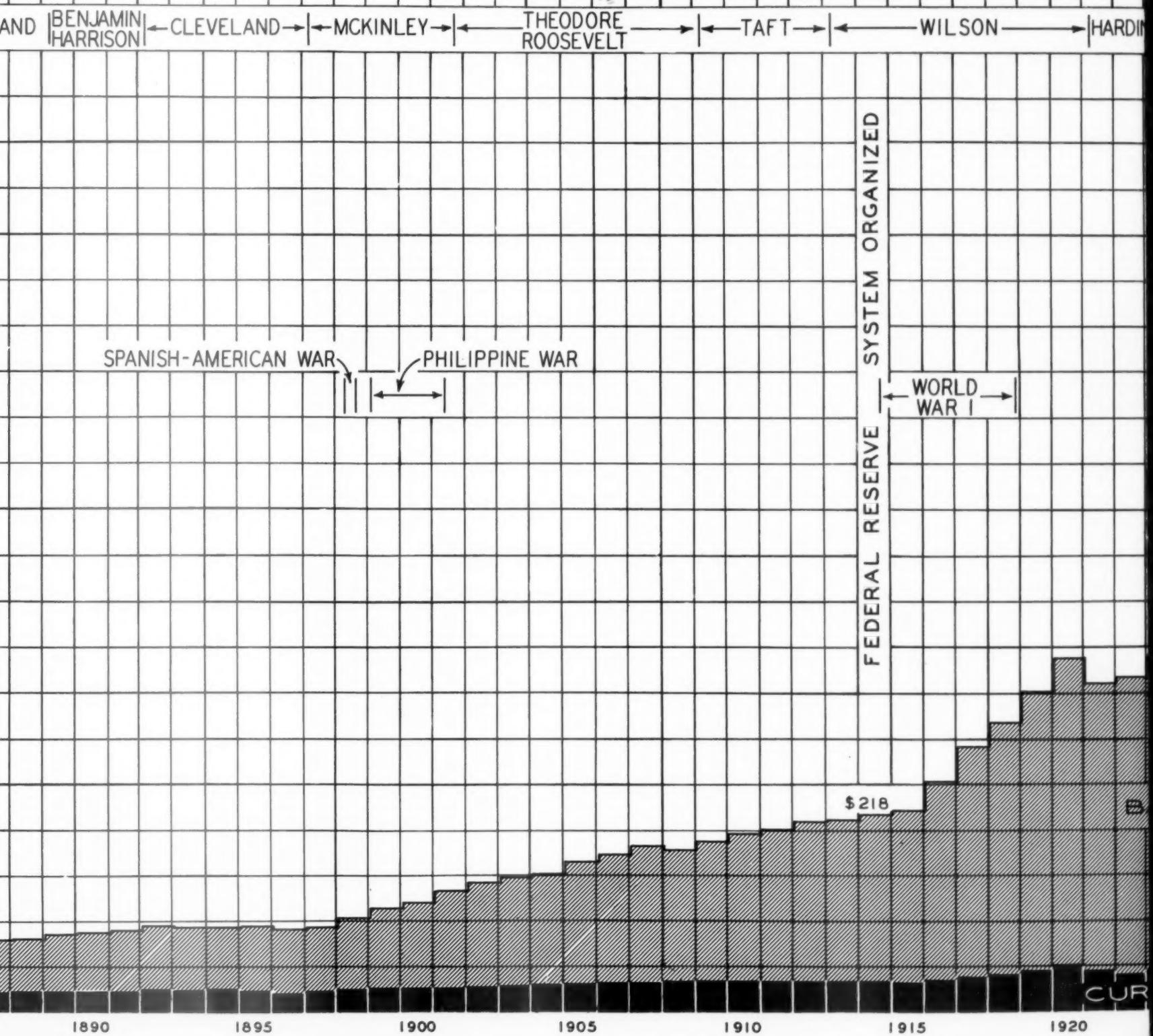
LEGEND

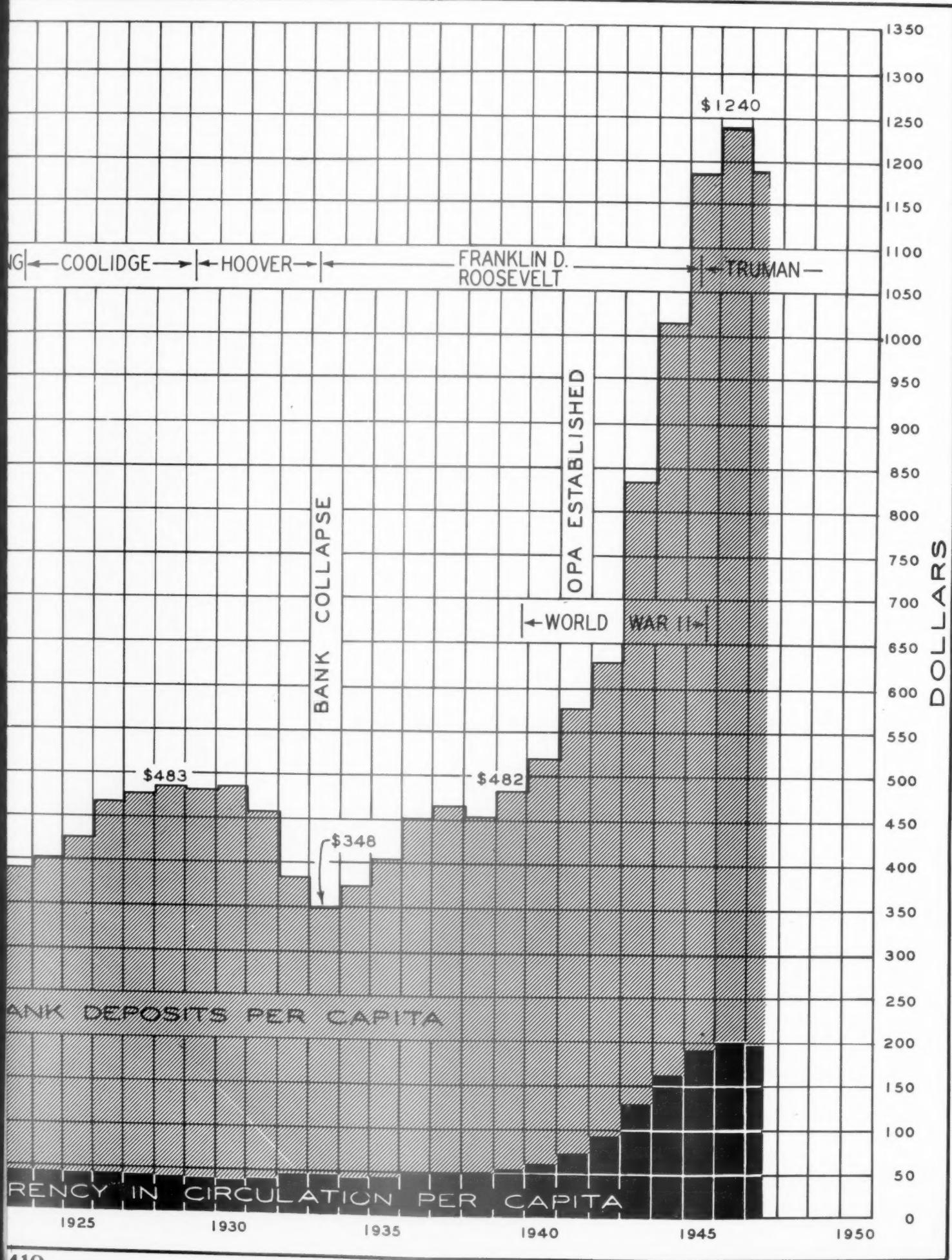




THE UNITED STATES PRESENT

~ 1946





INFLATED VALUES

IT would take a good deal more space than allotted this report to cover completely all causes of our present inflation. On page 401 we remark that prices alone are not too high. They are as high or higher than ever before, but so is everything else. Savings, for example, totaled \$65 billion in 1939, while in 1946 they reached \$223 billion.

Inasmuch as a complete treatise on our present rather precarious position would become much too involved and much too long, we are presenting one of the cardinal reasons for the inflated condition into which the nation's economy has moved.

On pages 408 through 410 is shown the chart "Money" in Use per Capita in the United States. In comparing the "reasonable" prices of 1939 with the "unreasonable" prices of today, look first at the amount of "money" in use in 1939 in comparison with the monumental amount in use today. In 1939 the amount was \$482 per capita; today it is \$1240, over 2-1/2 times as much now as then. Now while we have over 2-1/2 times as much money as we had in 1939, the supply of various types of goods to buy with that money has certainly not increased by anything like that proportion. Industrial production, for instance, is about 90 per cent above 1939, and food production has increased 29 per cent. Is it any wonder that with all of this money in use we value the goods more and the money less?

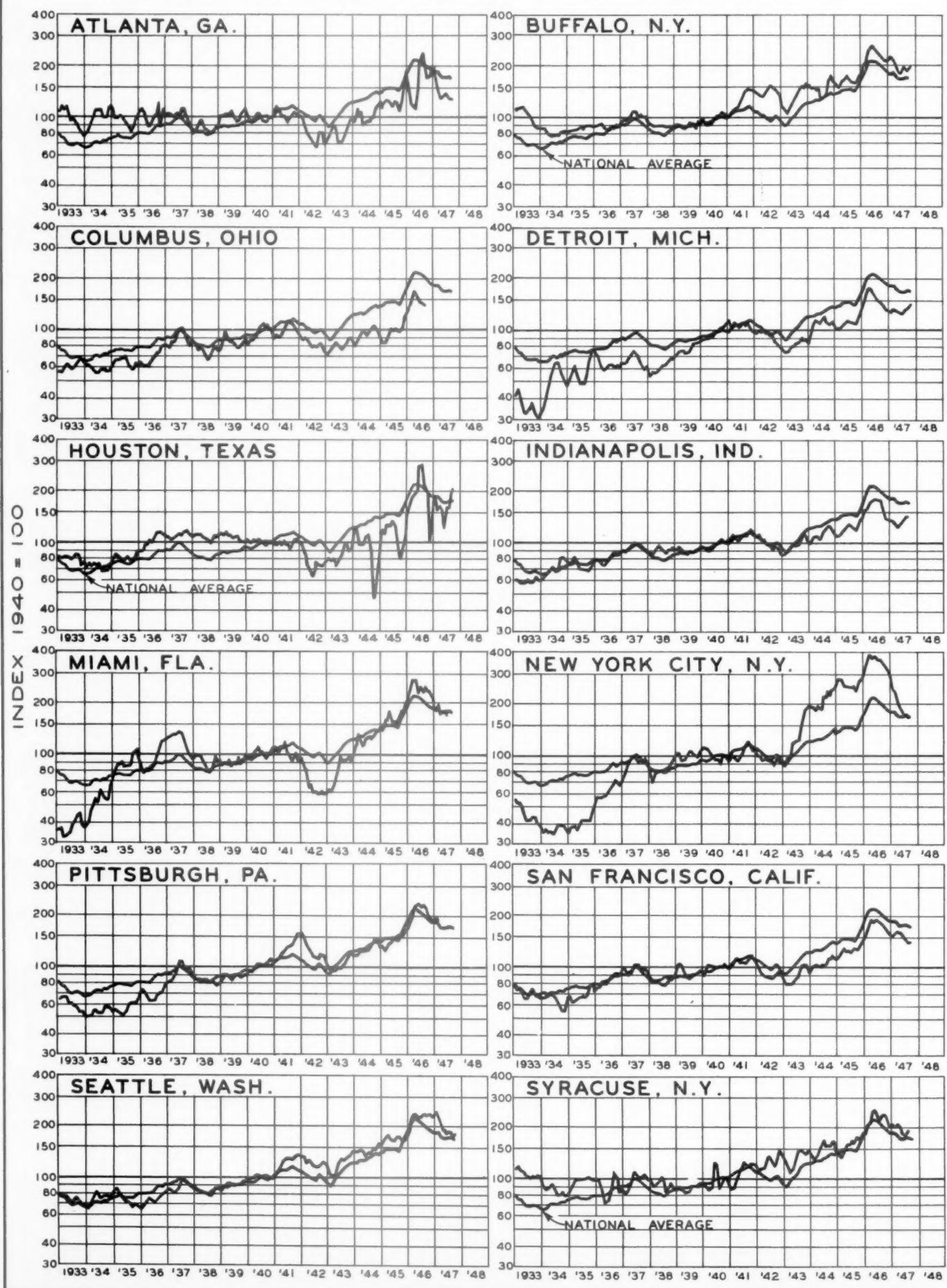
The causes of our expanded money supply, which places such a paltry value on the dollar, were the enormous government expenditures during the past war and the way in which these expenditures were financed. In order to pay for the war the government issued Federal securities, backed by only a promise, which were purchased by commercial and Federal Reserve banks. At the same time the government was increasing the supply of money and credit to finance the war, civilian or non-government expenditures were drastically curtailed by the very nature of our war economy, which quite necessarily included such curbs as price ceilings, rationing, and out-and-out non-existence of many items. This set of factors led not only to a tremendous pent-up demand for goods but to an ever deepening and widening pool of liquid assets.

We doubt very seriously whether different financial policies of the government would have completely avoided the postwar inflation, but we believe that if a more aggressive tax policy had been followed, the tremendous accumulation of savings could not have been possible. In other words, as new money was poured into the stream, large amounts of it could have been siphoned out by means of more rigorous taxation. Needless to say, this would have been most unpopular.

It's hard to say just how long the present inflation will last. There are three factors now in the news that are definitely inflationary factors in that they all tend to increase the amount of money or credit in use. They are: 1. Release of credit controls scheduled for November 1. 2. Aid to Europe. 3. The much discussed tax cut. If any cut is made it should be a cut in the high brackets of individual and corporation income rather than in the lower brackets. A cut in the low brackets makes available more money to buy already scarce consumer goods. A cut in the high brackets makes more money available to increase production facilities. What we need now is not more bidding up of consumer goods prices but more production. Although we are definitely committed to providing aid to Europe, it seems that the government should certainly be able to avoid taking these other two inflationary steps.

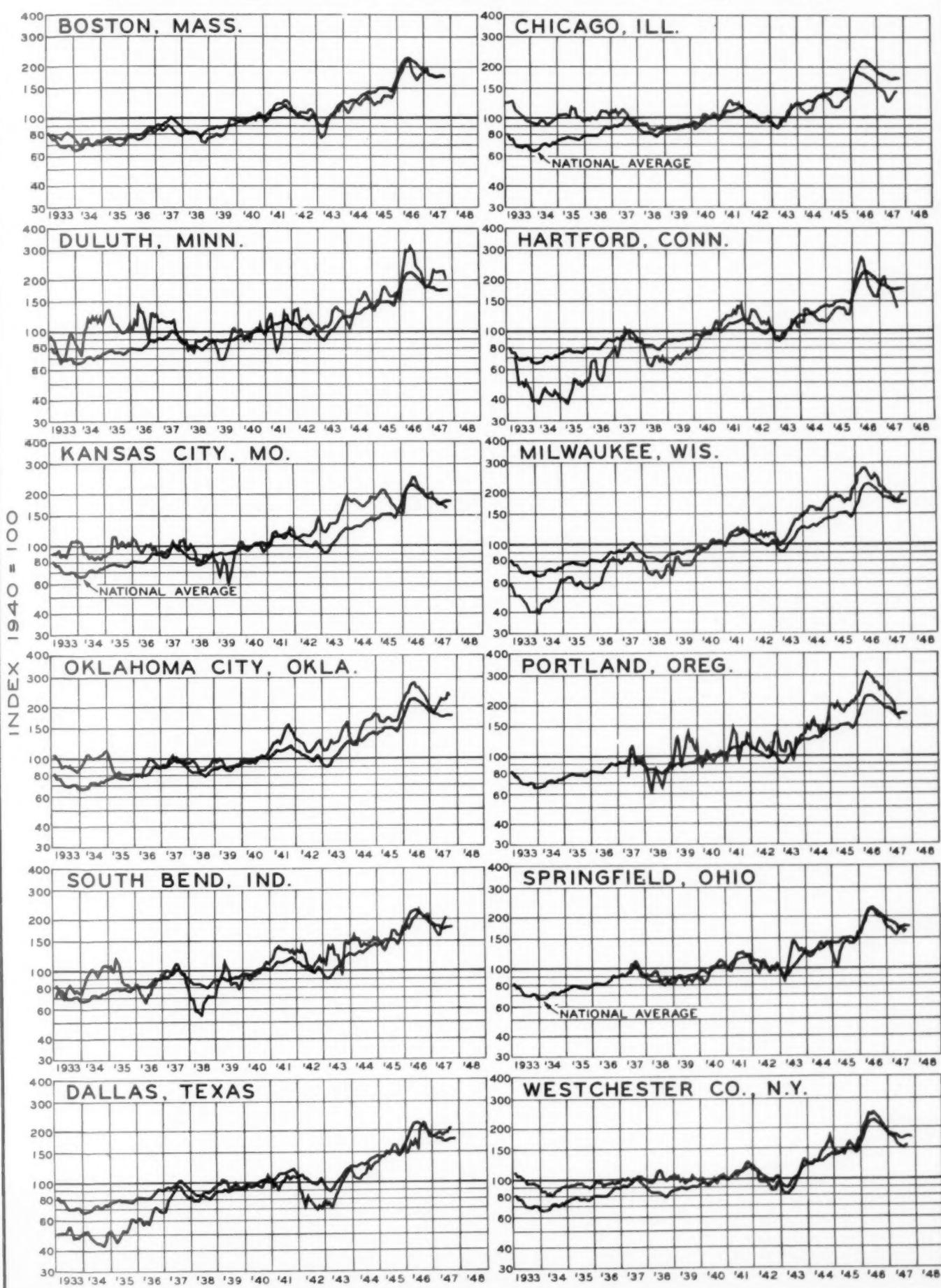
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ESTIMATED NUMBER OF NEW NONFARM DWELLING UNITS STARTED

1900 - 240,000	1907 - 440,000	1914 - 445,000	1921 - 449,000	1928 - 753,000	1935 - 221,000	1942 - 496,600
1901 - 340,000	1908 - 440,000	1915 - 475,000	1922 - 716,000	1929 - 509,000	1936 - 319,000	1943 - 350,000
1902 - 360,000	1909 - 580,000	1916 - 480,000	1923 - 871,000	1930 - 330,000	1937 - 336,000	1944 - 169,000
1903 - 400,000	1910 - 475,000	1917 - 230,000	1924 - 893,000	1931 - 254,000	1938 - 406,000	1945 - 225,000
1904 - 440,000	1911 - 480,000	1918 - 120,000	1925 - 937,000	1932 - 134,000	1939 - 515,000	1946 - 670,500
1905 - 480,000	1912 - 490,000	1919 - 330,000	1926 - 849,000	1933 - 93,000	1940 - 602,500	
1906 - 480,000	1913 - 455,000	1920 - 247,000	1927 - 810,000	1934 - 126,000	1941 - 715,200	

MONTHLY FIGURES

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939	32,300	30,700	42,900	42,900	53,300	45,900	44,200	51,200	42,400	42,900	45,100	41,200
1940	25,700	36,900	46,000	62,900	57,000	44,100	57,600	55,800	58,400	66,200	44,900	47,000
1941	41,200	43,700	60,200	75,200	70,700	77,200	74,600	69,800	67,000	56,200	46,600	32,800
1942	34,500	51,300	52,700	59,700	60,600	46,300	26,700	27,500	40,400	32,200	30,400	34,300
1943	45,000	40,100	33,000	26,700	33,600	21,800	24,200	27,600	24,300	28,100	26,100	19,500
1944	17,300	13,500	18,100	14,300	16,500	17,500	14,500	12,800	11,300	10,800	11,600	10,800
1945	7,600	8,400	12,300	18,300	16,900	20,300	20,100	17,100	17,900	25,400	30,500	30,200
1946	37,500	42,400	62,000	67,000	87,100	64,100	62,600	65,400	57,600	57,800	47,700	39,300
1947	40,100	44,100	58,400	68,700	72,500	77,200	80,100	85,700	88,000			

CUMULATIVE FIGURES

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939	32,300	63,000	105,900	148,800	202,100	248,000	292,200	343,400	385,800	428,700	473,800	515,000
1940	25,700	62,600	108,600	171,500	228,500	272,600	330,200	386,000	444,400	510,600	555,500	602,500
1941	41,200	84,900	145,100	220,300	291,000	368,200	442,800	512,600	579,600	635,800	682,400	715,200
1942	34,500	85,800	138,500	198,200	258,800	305,100	331,800	359,300	399,700	431,900	462,300	496,600
1943	45,000	85,100	118,100	144,800	178,400	200,200	224,400	252,000	276,300	304,400	330,500	350,000
1944	17,300	30,800	48,900	63,200	79,700	97,200	111,700	124,500	135,800	148,600	158,200	189,000
1945	7,600	16,000	28,300	46,600	63,500	83,800	103,900	121,000	138,900	164,300	194,800	225,000
1946	37,500	79,900	141,900	208,900	276,000	340,100	402,700	468,100	525,700	583,500	631,200	670,500
1947	40,100	84,200	142,600	211,300	283,800	361,000	441,100	526,800	614,800			

12-MONTH MOVING TOTALS

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939												515,000
1940	508,400	514,600	517,700	537,700	541,400	539,600	553,000	557,600	573,600	596,900	596,700	602,500
1941	618,000	624,800	639,000	651,300	665,000	698,100	715,100	729,100	737,700	727,700	729,400	715,200
1942	708,500	716,100	708,600	693,100	683,000	652,100	604,200	561,900	535,300	511,300	495,100	496,600
1943	507,100	495,900	476,200	443,200	416,200	391,700	389,200	389,300	373,200	369,100	364,800	350,000
1944	322,300	295,700	288,000	268,400	251,300	247,000	237,300	222,500	209,500	192,200	177,700	189,000
1945	159,300	154,200	148,400	152,400	152,800	155,600	161,200	165,500	172,100	186,700	205,600	225,000
1946	254,900	288,900	338,600	387,300	437,500	481,300	523,800	572,100	611,800	644,200	661,400	670,500
1947	673,100	674,800	671,200	672,900	678,300	691,400	708,900	729,200	759,600			

ESTIMATED NUMBER OF NEW NONFARM DWELLING UNITS COMPLETED

NEW PERMANENT UNITS

	Monthly			Cumulative			Temporary Re-use, Conversions and Trailers		
	Factory-	Built	Total	Factory-	Built	Total	1946	Monthly	Cumulative
1946	Conventional			Conventional			1946		
May	22,000	3,100	25,100	87,300	10,700	98,000	May	9,600	41,300
June	27,200	3,400	30,600	114,500	14,100	128,600	June	11,700	53,000
July	32,600	4,100	36,700	147,100	18,200	165,300	July	13,300	66,300
Aug.	39,500	3,900	43,400	186,600	22,100	208,700	Aug.	17,200	83,500
Sept.	45,900	3,800	49,700	232,500	25,900	258,400	Sept.	31,400	114,900
Oct.	50,600	4,900	55,500	283,100	30,800	313,900	Oct.	30,800	145,700
Nov.	57,600	3,600	61,200	340,700	34,400	375,100	Nov.	26,600	172,300
Dec.	59,900	2,800	62,700	400,600	37,200	437,800	Dec.	32,200	204,500
1947							1947		
Jan.	--	--	62,600	--	--	62,600	Jan.	34,800	34,800
Feb.	--	--	60,300	--	--	122,900	Feb.	31,400	66,200
Mar.	--	--	57,700	--	--	180,600	Mar.	29,600	95,800
Apr.	--	--	59,500	--	--	240,100	Apr.	23,100	118,900
May	--	--	59,900	--	--	300,000	May	18,800	137,700
June	--	--	63,000	--	--	363,000	June	11,900	149,600
July	--	--	65,700	--	--	428,700			
Aug.	--	--	70,300	--	--	499,000			
Sept.	--	--	77,000	--	--	576,000			